



**Chattanooga Gas Company**

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May 13, 2004

Chairman Deborah Taylor Tate  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

**Re: Chattanooga Gas Company  
Responses to Minimum Filing Guidelines and TRA Staff's Data Requests  
Docket No. 04-00034 – Petition of Chattanooga Gas Company for Approval  
of Adjustment of its Rates and Charges and Revised Tariff**

Dear Chairman Tate,

Enclosed please find an original and 13 copies of Chattanooga Gas Company's responses to the following TRA Minimum Filing Guidelines and data requests issued by the TRA Staff:

Minimum Filing Guidelines – 94, 95, 96 and 97

Supplemental Response to Minimum Filing Guideline No. 43, Schedule 43-4

ECON #1 – 8 and 10

If there are any additional questions, I can be reached at 404-584-4263.

Sincerely,

Michael J. Morley  
AGL Resources  
Rates & Regulatory

**FG-43**

Provide detailed schedules explaining the calculation of the growth factor used to project expenses through the attrition year. Please break down the calculation between the inflation and customer growth components.

**Supplemental Response**

In reviewing the calculations to schedule TRA FG No. 43-4, "AGL Services Company Allocations Analysis," the following inaccuracies and required pro forma adjustments were discovered:

**Column "Calendar Year 2003"**

- **Chattanooga Allocated Expenses** - In column "Calendar 2003 Actuals," the "Allocated Costs Before Adjustments" were inadvertently overstated by counting the expense for the month of December twice. This amount has been corrected in the supplemental response attachment.

Additionally,, the "Pro Forma Adjustments" amount was increased by \$292,065 to account for an error in the allocation process in November and December 2003. This error impacted most affiliates receiving allocated costs from AGL Services Company (AGSC), and an adjustment was made in 2004 to correct the error.

- **AGSC Total Allocated Costs** – In column "Calendar 2003 Actuals," the "AGL Services Company Total Allocated Costs" were understated by approximately \$64,000. In the initial response to TRA MFG No. 43, forecasted allocations for the month of December 2003 were used as opposed to the actual amounts.

**Line "AGL Services Company (AGSC) Total Allocated Costs"**

- In columns "Test Period Actuals – 10/02-9/03 Before Pro Forma Adjustments" and "Calendar 2003 Actuals" the "AGL Services Company Total Allocated Costs" did not include pro forma adjustments to certain benefits allocations. In the supplemental response attachments, pro forma adjustments were made to the allocated health insurance expense, the pension expense, the 401(k) employer match expense and other post retirement benefits (OPRB) expense for the test period actuals; and pro forma adjustments were made to the allocated health insurance expense and the 401(k) employer match expense for calendar 2003 actuals.

These pro forma adjustments were made to the AGSC total allocated costs to provide comparable information between the test period and calendar 2003 and the attrition period. In the attrition period, the above mentioned benefits costs will be recorded directly on the books and records of AGSC affiliates based on the actual expense incurred by the affiliates. During the test period and calendar year 2003, these benefit costs were allocated to the affiliates from AGSC. Note that pension and other post retirement costs were not allocated to CGC from AGSC as these costs were recorded directly on the books and records of CGC. However, AGSC did allocate these costs to other affiliates in which the costs were not recorded directly on the books and records of the applicable affiliate.

Please refer to attached TRA FG No. 43-4 Supplemental Response, which includes data updated for the above correction and pro forma adjustment.

Attached schedule TRA FG No. 43-4a Supplemental Response provides the pro forma adjustments referred to above made to AGSC total allocated costs.

The supplemental response for TRA FG No. 43-4 does not impact the allocation expense from AGSC in CGC's cost of service. The supplemental response impacts the amounts and percentages for the test period and calendar 2003, which were provided for analytical and comparison purposes.

Page 13, line 18 of the prepared direct testimony of Michael J. Morley refers to an "increase in total allocable expenses at AGSC of 2.85%." This increase was calculated using the amounts included in the original schedule 43-4 filed with the initial response to TRA MFG No. 43. The amounts provided in the supplemental response for TRA FG No. 43-4 reflect an increase of approximately 8% in total allocable costs between the test period and the attrition period. However, as noted above, this does not impact the growth rate of 2.89% in AGSC allocations included in CGC's cost of service.

Chattanooga Gas Company  
Attrition Period  
AGL Services Company Allocations Analysis

<b>Account</b>	<b>Test Period Actuals - 10/02-9/03 Before Pro Forma Adjustments</b>	<b>Attrition Period Bdgt/Frcst - 7/04-6/05 Before Pro Forma Adjustments</b>	<b>Calendar 2003 Actuals</b>
Allocated Costs Before Adjustments	6,643,339 55	6,533,185 61	6,391,326 00
Pro-Forma Adjustments	292,947 00	603,266 39	568,614 55
Chattanooga Allocated Expenses	6,936,286 55	7,136,452 00	6,959,940 55
AGL Services Company Total Allocated Costs	130,968,694 22	141,411,959 15	133,982,864 06
<b>Percent Allocated to Chattanooga</b>	<b>5.30%</b>	<b>5.05%</b>	<b>5.19%</b>

Based on the above analysis, the costs allocated to Chattanooga during the attrition period are consistent and reasonable based on the percentages in the test period and actuals for 2003

Chattanooga Gas Company  
Attrition Period  
AGL Services Company Allocations Analysis

Account		Test Period Actuals - 10/02-9/03 Before Pro Forma Adjustments	Attrition Period Bdgt/Frcst - 7/04-6/05 Before Pro Forma Adjustments	Calendar 2003 Actuals Before Pro Forma Adjustments
AGL Services Company (AGSC) Total Allocated Costs	(A)	137,495,634 99	141,411,959 15	139,438,006 13
Pro Forma Adjustments				
Allocated Health Insurance	(B)	(4,821,650 40)	N/A	(4,815,086 95)
Allocated Pension and Other Post Retirement Benefits	(B)	(656,946 21)	N/A	
Allocated 401(k) Employer Match	(B)	(1,048,344 16)	N/A	(640,055 12)
AGL Services Company Total Allocated Costs - Comparable Basis		130,968,694 22	141,411,959 15	133,982,864 06

(A) - AGSC total allocated costs before pro forma adjustments exclude costs allocated to AGL Resources Inc

(B) - Refer to attached TRA FG 43-4(b) supplemental response for support for pro forma amounts

**Chattanooga Gas Company**  
**Attrition Period**  
**Support for Pro-Forma Adjustments**

	<b>Test Period Actuals AGSC</b>	<b>Calendar 2003 Actuals AGSC</b>	<b>Attrition Period Budget/Forecast AGSC</b>
671001 AGLR Alloc 401K Benefits	(1,048,344 16)	(640,055 12)	-
671010 AGLR Alloc Health Benefits	(4,821,650 40)	(4,815,086 95)	-
671011 AGLR Alloc Pension/OPEB Benefits	(656,946 21)	-	-

Actual amounts agree to AGSC general ledger, and attrition period amounts agree to 2004 budget and 2005 forecast

**FG-94**

Provide copies of the LDC's projected annual equity ratio for the next five (5) fiscal years.

**Response**

Chattanooga Gas Company does not project equity on an annual or long-term basis.

**FG-95**

Provide copies of the LDC's projected new stock and debt issues for the next five (5) fiscal years.

**Response**

Chattanooga Gas Company does not project new stock or debt issues on an annual or long-term basis.



**FG-96**

Provide copies of the LDC's projected annual dividends per share of common stock for the next five (5) fiscal years.

**Response**

Chattanooga Gas Company does not project annual dividends per share of common stock on an annual or long-term basis. Please refer to the Consumer Advocate and Protection Division Discovery Request No.2 for the dollar amount of dividends expected to be paid out in the attrition year.

**FG-97**

If material to the Tennessee Operations, provide copies of projected annual earnings per share of common stock for the next five (5) fiscal years.

**Response**

Chattanooga Gas Company does not project annual earnings per share of common stock on an annual or long-term basis.

**Data Request No. 8**

On response FG-Item No. 92, the Company states that all amounts billed to Chattanooga Gas Company through the AGL Services is at cost including interest. Provide a worksheet showing how total interest expense is calculated and allocated among the distribution companies.

**Response**

Please see attached Schedule ECON 8-1, which provides the allocation of interest expense incurred by AGL Services Company (AGSC) by month for the twelve months ended December 31, 2003 to Virginia Natural Gas, Chattanooga Gas Company and Atlanta Gas Light Company.

	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total 2003
(A) Prior Two Month Interco Funding	-55,822,364.46	-86,969,331.80	-95,264,787.44	-90,550,546.25	-108,017,772.61	-93,887,555.97	-104,528,494.84	-95,435,563.86	-92,566,598.73	-107,275,379.77	-102,120,764.17	-113,305,189.78	
(A) Prior Month Interco Funding	-86,969,331.80	-95,264,787.44	-90,550,546.25	-108,017,772.61	-93,887,555.97	-104,528,494.84	-95,435,563.86	-92,566,598.73	-107,275,379.77	-102,120,764.17	-113,305,189.78	-118,070,329.16	
(AA) Average Two Month Money Pool Balance - AGSC	(71,395,848.13)	(91,117,059.62)	(92,907,666.85)	(99,284,159.43)	(100,952,664.29)	(99,208,025.41)	(99,982,029.35)	(94,001,081.30)	(99,920,989.25)	(104,698,071.97)	(107,712,976.98)	(115,687,759.47)	
(B) Commercial Paper Rate	1.85%	1.80%	1.85%	2.08%	2.35%	1.92%	2.81%	2.71%	1.85%	1.58%	1.48%	1.42%	
(C) Interest Expense	110,068.60	136,675.59	143,232.65	172,092.54	197,698.97	158,732.84	234,124.59	212,285.78	154,044.86	137,852.46	132,846.00	136,897.18	
(C) Interest True-up with AGL Capital Corporation	(5,394.70)	(7,155.92)	6,126.91	3,419.14	(7,903.01)	455.61	(9,697.72)	(9,188.05)	(6,418.47)	(1,851.94)	5,573.44	782.38	
(D) Adjustment - Other													
(D) Cost of Capital Amount to be Allocated (Incurred by AGSC)	104,673.90	129,519.67	149,359.56	175,511.68	189,795.96	159,188.45	224,426.87	203,097.73	147,626.39	136,000.52	138,419.44	137,679.56	1,895,299.73
(E) Composite Ratio													
Virginia Natural Gas	17.8420%	17.8420%	17.8420%	17.9398%	17.9398%	17.9398%	18.3558%	18.3558%	18.3558%	17.6605%	2.5122%	2.5122%	
Atlanta Gas Light Company	69.2351%	69.2351%	69.2351%	66.0085%	66.0085%	66.0085%	67.0613%	67.0613%	67.0613%	67.6005%	95.3913%	95.3913%	
Chattanooga Gas Company	4.3605%	4.3605%	4.3605%	4.2721%	4.2721%	4.2721%	4.4076%	4.4076%	4.4076%	4.2313%	0.6019%	0.6019%	
	91.44%	91.44%	91.44%	88.22%	88.22%	88.22%	89.82%	89.82%	89.82%	89.49%	98.51%	98.51%	
(F) Allocated Cost of Capital to Distribution Companies													
Virginia Natural Gas	18,675.92	23,108.90	26,648.73	31,486.44	34,049.02	28,558.09	41,195.35	37,280.21	27,098.00	24,018.35	3,477.32	3,458.73	299,055.07
Atlanta Gas Light Company	72,471.08	89,673.07	103,409.24	115,852.63	125,281.47	105,077.91	150,503.58	136,199.98	99,000.18	91,937.08	132,040.04	131,334.26	1,352,780.50
Chattanooga Gas Company	4,564.31	5,647.71	6,512.82	7,498.03	8,108.27	6,800.69	9,891.84	8,951.74	6,506.78	5,754.58	833.14	828.68	71,898.59
Total Allocated Cost of Capital Costs	\$ 95,711.30	\$ 118,429.68	\$ 136,570.80	\$ 154,837.11	\$ 167,438.76	\$ 140,436.69	\$ 201,590.76	\$ 182,431.93	\$ 132,604.96	\$ 121,710.01	\$ 136,350.49	\$ 135,621.67	1,723,734.15

(A) These amounts represent the monthly money pool balances of AGL Services Company. This calculation is done on a one month lag due to the timing of AGL Resources, Inc.'s closing process.

(B) The average interest rate for AGL Capital Corporation's (AGCC) commercial paper program for the applicable month. AGL Services Company borrows from AGCC to fund and manage AGL Resources, Inc.'s money program.

(C) The calculated interest incurred by AGSC - (AA) \* (B).

(D) Total interest incurred including monthly true-ups with AGCC. This amount is used to allocate cost of capital to affiliates and agrees with the interest expense on the books and records of AGSC.

(E) Allocation factor used in the AGSC allocation/chargeback process.

(F) Calculated amount - (D) \* (E) - represents the monthly cost of capital allocated to affiliates by month.

**Data Request No. 10**

Provide the allocation percentages of distribution expenses for Chattanooga Gas Company, Virginia Gas Company, and AGL. This can be done on an aggregate base by subsidiary except for interest expense on short-term and long-term debt.

**Response**

Please see attached ECON 10-1, which provides the percentage of AGL Services Company allocations charged to Chattanooga Gas Company, Virginia Natural Gas and Atlanta Gas Light Company. The percentages are provided for the twelve months ended December 31, 2001, 2002, and 2003, respectively, and for the three months December 31, 2000. The percentages are also provided, by company, in total (excluding cost of capital), cost of capital only and in total (including cost of capital). Cost of capital is the allocation of interest expense.

Period	Allocated Costs as a Percent of Total Allocated Costs from AGL Services Company (AGL Resources as Described in (B) Below) Virginia Natural Gas			Allocated Costs as a Percent of Total Allocated Costs from AGL Services Company (AGL Resources as Described in (B) Below) Chattanooga Gas Company			Allocated Costs as a Percent of Total Allocated Costs from AGL Services Company (AGL Resources as Described in (B) Below) Atlanta Gas Light Company		
	All Costs Excluding Cost of Capital	Cost of Capital	All Costs Including Cost of Capital	All Costs Excluding Cost of Capital	Cost of Capital	All Costs Including Cost of Capital	All Costs Excluding Cost of Capital	Cost of Capital	All Costs Including Cost of Capital
Twelve Months Ended December 31, 2003	(A)	13.05%	15.78%	13.09%	4.71%	3.79%	4.70%	71.38%	77.98%
Twelve Months Ended December 31, 2002	(A)	12.05%	17.57%	12.13%	4.48%	4.28%	4.48%	72.31%	78.67%
Twelve Months Ended December 31, 2001	(A)	10.05%	17.99%	10.29%	4.04%	4.83%	4.07%	81.11%	80.86%
Three Months Ended December 31, 2000	(B)	9.70%	17.50%	9.91%	4.15%	5.07%	4.17%	71.88%	80.38%

Note that the above percentages do not include the pro forma adjustments that were made to CGC allocated costs and AGL Services Company (AGSC) total allocable costs in TRA Minimum Filing Guidelines and other filings associated with this docket

(A) Percentages were calculated based on information provided in the Form U-13-60 filed with the U S Securities and Exchange Commission. Note that the twelve months ended December 31, 2001 was calculated based on the sum of the filings for the nine months ended September 30, 2001 and the three months ended December 31, 2001. These were combined for purposes of this response to allow for three calendar year comparisons

(B) - Percentages calculated were based on the books and records of the three utilities, AGL Resources Inc (AGLR) and AGSC. For the period October - December 2000, shared service costs were allocated from AGLR to affiliates under a transition agreement between AGLR and AGSC